

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 10 December 2012
Report of: John Nicholson – Strategic Director, Places and Organisational Capacity
Subject/Title: Major Change Project 6.4 – Determine Future Delivery Model for Waste Management Services
Portfolio Holder: Cllr Rod Menlove

1.0 Report Summary

- 1.1 The identification of future service delivery options for recycling and waste is a major change project for the Council. A specialist consultancy, AMEC Environment and Infrastructure UK Ltd (AMEC) was commissioned to assess potential future service delivery options for the delivery of the Authority's household waste and recycling services. The purpose of the study was to identify a preferred option that had the potential to deliver significant savings (a reduction of at least £2m from the service's annual budget) and to highlight and assess the risks, benefits, asset and procurement implications.
- 1.2 Four service delivery options were considered:
- i) An integrated procurement including the collection service and disposal and recycling processing contracts;
 - ii) A separate or combined procurement of the collection operation, residual disposal and recycling processing contracts;
 - iii) Creating an arms length company to run the collection operation and manage disposal and recycling contracts; and
 - iv) Retaining the in-house collection service and procuring new contracts for disposal and recycling processing.
- 1.3 The report identifies that Option (i) could potentially deliver the highest savings estimated at £3.1m compared to the 2012/13 forecast outturn position. They highlight however that all of the options scoped are considered high risk with respect to deliverability by 2014. Option (i) could not be delivered within the 31 March 2014 timescale with an earliest estimated delivery date of 7 May 2015.
- 1.4 The consultants report suggests that the timescales for Option (i) could be mitigating by letter a short-term waste disposal contract and extending our existing recycling processing contracts. They propose that the potential additional cost increase through doing this could be covered by introducing a chargeable garden waste collection service.
- 1.5 The report also then recommends the Council take the following steps to commence the procurement process;

- Commence work without delay on the Authority's procurement objectives and strategy;
- Commence work without delay on the documents bidders will require to inform their tender submissions;
- Decide on any interim/short-term measures that are required to ensure continuity of residual waste treatment/disposal arrangements;
- Review existing contracts to assess the viability and impact of extending them;
- Instigate a waste composition analysis to inform the residual waste procurement; and
- Identify any procurement frameworks that may have secured residual waste treatment/disposal capacity.

2.0 Decision Requested

- 2.1 Cabinet are required to approve Option i/ii as the preferred way forward and request that the Strategic Director Places and Organisational Capacity, and the relevant Portfolio Holders, work with the relevant members to commence the procurement exercise immediately..
- 2.2 Request that the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, appraise the Cabinet of the outcome of the tender exercise, and seek their approval to proceed with the contract award, at a future meeting of the Cabinet.
- 2.3 Authorise the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, to procure an interim residual waste treatment contract to run from April 2014 until the implementation of new overall arrangements.
- 2.4 Authorise the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, to extend the current dry recycling and garden waste contracts to coincide with the implementation of the new arrangements.
- 2.5 Authorise the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, to procure external consultancy support to deliver new arrangements.
- 2.6 Authorise the Strategic Director Places and Organisational Capacity, in consultation with the relevant Portfolio Holders, to explore alternative procurement routes to traditional procurement processes, including working with other local authorities or local authority consortia to deliver the goals of this project but in a more cost effective manner .

3.0 Reasons for Recommendations

- 3.1 In March 2014, the residual waste disposal contract expires and cannot be extended further. The garden waste composting, recycalate processing and

bulking contracts also expire in March 2014 but have more flexibility as they can be extended for a period beyond 2014.

- 3.2 There is an immediate need therefore to secure residual waste treatment and disposal capacity from March 2014 as an interim measure to bridge the gap between April 2014 and the implementation of a longer-term treatment and disposal solution.
- 3.3 A savings target of at least £2m per annum has been identified for recycling and waste from 2014/15 to realise potential revenue savings from the renewal of the major recycling and waste contracts and possible service provision efficiencies.

4.0 Wards Affected

- 4.1 All Wards

5.0 Local Ward Members

- 5.1 All Members

6.0 Policy Implications including - Carbon reduction - Health

- 6.1 Our Sustainable Community Strategy and Joint Municipal Waste Strategy seek to manage waste more sustainably promoting waste prevention, reuse and recycling.
- 6.2 Objective 7 in the Councils 2012 – 15 business plan. This requires the Recycling and Waste Service to review, assess and evaluate waste collection, treatment, and disposal to provide information about future options.
- 6.3 Outcome 4 of the Council's 2013-16 three year plan identifies the aspiration for Cheshire East to be a 'green and sustainable place'.
- 6.4 Efficiencies in the alternative delivery of waste management services may have carbon benefits.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The report demonstrates that option (i) could potentially deliver the highest savings estimated at £3.1 million compared to the 2012/13 forecast out turn position. However, full savings achievability will be identified from the tenders received, this is unlikely to be known precisely until Quarter 3 of 2014/15. AMEC highlight however that all of the options scoped are considered high risk with respect to deliverability by 2014. Option (i) could not be delivered by the end of

March 2014 through the Competitive Dialogue process; the earliest estimated delivery date is May 2015 (based on issuing an OJEU notice at the start of January 2013).

- 7.2 Due to the timetable described in 7.1 above, mitigation needs to be sought to provide a continued recycling, treatment and disposal service. This can be achieved by letting a short term waste disposal contract and extending our existing recycling processing contracts. Short term contracts tend to be relatively more expensive than long term arrangements and any extension of the existing contracts must be mutually agreed by both the contractor and the Council.
- 7.3 The estimated financial implications of the proposed procurement, plus the impact of interim solutions and one-off consultancy costs etc will be reflected in the current medium-term financial strategy and budget setting processes for 2013-16.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The procurement process undertaken will be best served by use of the Competitive Dialogue procedure. A procurement exercise of this scale will require substantial external legal and procurement resource that itself will need to be compliantly procured. The competitive dialogue procedure would take at least a year to complete depending on how many dialogue stages are required in order to refine the Council's requirements.
- 8.2 Whether the current contracts can be extended is a question of fact and the necessary due diligence will need be undertaken to ensure that the contracts can be extended without the Council breaching the Public Contract Regulations 2006.
- 8.3 This procurement is certain to involve significant HR issues and raise the possibility of TUPE transfer of the majority of Recycling and Waste staff to a private sector provider. This will involve undertaking the required consultation and the timescales for this need to be factored in to the timetable to run concurrently with the procurement process. However, a client team will need to be retained by Cheshire East to drive the strategic direction of the services forward and to continually seek to improve services through careful partnership working, contract monitoring and management.
- 8.4 Consideration should also be given to consultation requirements should the ultimately procured service result in reduced waste services to the public.
- 8.5 Alternative delivery options may involve transfer and or leasing of capital assets such as vehicle fleet and depots currently supporting the recycling and waste service.

9.0 Risk Management

- 9.1 Insufficient time to procure, implement and mobilise new services by May 2015 resulting in reputational damage to the Council.
- 9.2 A separate residual waste treatment/disposal contract will need to be procured for the start of April 2014 to ensure the continuation of frontline residual waste services. This contract would likely be short and hence, potentially more expensive than that obtained through a full outsourcing project.
- 9.3 The current garden waste and dry recyclables contracts will need to be extended by mutual consent from April 2014 until June 2015 to ensure continuation of service. This requires agreement by both CEC and the private sector provider over the length and nature of the extension.
- 9.4 Planning permission not obtained in time/denied to provide a waste transfer facility in the north of the borough resulting in either the services in the north not being able to be delivered in an economic or environmentally sustainable manner or, a monopoly of private sector provision as currently exists, increasing the contract costs to the Council.
- 9.5 Anticipated savings not being achievable from the tenders received. This is unlikely to be known precisely until Quarter 3 of 2014/15.
- 9.6 There are significant implications for the existing work force and their Trade Unions. Early and continued engagement with staff and Trade Unions is of paramount importance in such a large, transitional project.

10.0 Background and Options

- 10.1 A report was considered by Cabinet on 20 August 2012 that outlined potential service options for the recycling and waste service, post April 2014. It asked for an indication of a preferred delivery option at that stage and sought a decision to appoint consultants to carry out a more detailed analysis on the preferred option.
- 10.2 Following a competitive procurement specialist waste consultant AMEC was duly appointed to assess four potential future service delivery options for the delivery of the authority's household waste and recycling services. The purpose of the study was to identify a preferred option that had the potential to deliver the required savings (a reduction of at least £2 million from the Service's annual budget) and to highlight and assess the risks, benefits, asset and procurement implications.
- 10.3 Four service delivery options were considered:
 - i) An integrated procurement including the collection service and disposal and recycling processing contracts;

- ii) A separate or combined procurement of the collection operation, residual disposal and recycling processing contracts;
- iii) Creating an arms length company to run the collection operation and manage disposal and recycling contracts; and
- iv) Retaining the in-house collection service and procuring new contracts for disposal and recycling processing.

- 10.4 As part of the study, the consultant undertook an exercise with Members and key officers to identify financial, strategic, political and environmental criteria against which each option could be ranked to identify a preferred service delivery option. A prioritisation exercise was undertaken to score the relative importance of these criteria. Each option was then assessed against each criterion to measure the level of applicability. This process identified that option (i) was the preferred option with option (ii) close behind.
- 10.5 The potential savings for each option are detailed in the bar graph below demonstrating that all of the options could to a greater or lesser extent provide savings against the recycling services projected 2012/13.



- 10.6 The report demonstrates that option (i) could potentially deliver the highest savings estimated at £3.1m compared to the 2012/13 forecast outturn position. They highlight however that all of the options scoped are considered high risk with respect to deliverability by 2014. Option (i) could not be delivered within the 31 March 2014 timescale with an earliest estimated delivery date of 7 May 2015.
- 10.7 The consultancy suggest that the timescales for Option (i) could be mitigated by letting a short term waste disposal contract and extending our existing recycling processing contracts. They propose that the additional cost increased through doing this could be covered by introducing a chargeable garden waste collection service.
- 10.8 Option (i) would see all the contracts (residual waste treatment/ disposal, waste collection (with fleet provision and maintenance), HWRCs, garden waste processing, dry recycalate processing and waste bulking) let as an integrated bundle. This could reduce the number of possible bidders but competition would still be present.
- 10.9 The key benefit of this option is that the contractor is in control of contract interfaces i.e. where the different contract elements interact.

This reduces or eliminates the risk of disputes arising between contractors and also reduces the number of points of contact between the contractor and Council.

- 10.10 The report also investigates other service options such as food waste collection and nappy recycling. They indicate that on their own food waste and nappy recycling would add to the cost of delivering the service. If introduced alongside other service changes such as a chargeable garden waste service or a changed frequency of wheeled bin collections however these could be introduced at little or no cost to the Authority.

11.0 Access to Information

The Executive Summary of the AMEC study is appended to this report (Appendix A). The full study can be provided by contacting the report writer:

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